

ORIGINAL



0000131649

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2011 NOV 10 P 12:45

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV 10 2011

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
AEPCO THAT THE COMMISSION, PURSUANT
TO A.R.S. § 40-252, REOPEN ITS JANUARY 6,
2011 RATE DECISION NO. 72055 FOR THE
LIMITED PURPOSE OF AUTHORIZING
AMENDMENTS TO ADDRESS THE RATE
DESIGN AND COST RECOVERY ISSUES
DESCRIBED HEREIN

Docket No. E-01773A-09-0472

**AMENDED AND
SUPPLEMENTAL
REQUEST FOR RELIEF**

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

The Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative"), in support of its Amended and Supplemental Request for Relief, states as follows:

1. On October 20, 2011, AEPCO filed its Application requesting that the Commission reopen its January 6, 2011 Rate Decision No. 72055 (the "Rate Decision") for the limited purpose of addressing certain rate design and cost recovery issues (the "Application").
2. Briefly to summarize, the relief requested in paragraph 4 of the Application was:
 - (a) to shift recovery of test year fixed gas costs from the CARMs and PRMs' Base Resources and Other Resources energy rates to recovery through the Class A members' Fixed Monthly Charges and to recover or refund any increase or decrease in those costs through the PPFAC on an Allocated Capacity Percentage ("ACP") basis; (b) as of the effective date of the CARM Tariff and PRM Schedule shifting cost recovery to the Fixed Monthly Charges, to authorize AEPCO to collect a surcharge over 12 months to recover any further fixed gas cost under-collections which occur from July 1, 2011 to the effective date of those tariffs; and (c) to authorize the Cooperative

1 not to recover through the PPFAC \$1.43 million in fixed gas costs incurred by AEPCO from
2 January 1 to July 1, 2011.

3 3. Since the filing of its Application, AEPCO has continued to discuss these issues
4 with its Class A member distribution cooperatives to reach a consensus solution on the best and
5 most equitable way to remedy the serious problems—as described in paragraph 5 of the
6 Application—which have developed with the allocation method used in relation to recovery of
7 fixed gas costs. Last week, an agreement among AEPCO’s management and all of its Class A
8 members was reached on how to resolve these issues. That agreement was approved
9 unanimously by AEPCO’s Board on November 9, 2011. The purpose of this filing is to amend
10 and supplement AEPCO’s request for relief in accord with the Class A members’ and the Board-
11 approved agreement.

12 4. This Supplemental Request asks that the Commission authorize the revised
13 PPFAC Adjustors and Bases for each cooperative which are stated in Exhibit A to this Request.
14 These revised Adjustors and Bases were developed using the same methodology employed in the
15 Efficacy Filing made by AEPCO on September 1, 2011 in this docket. They also, however, take
16 into account the effect of the increased cost write-off discussed in the next paragraph.

17 5. In order to mitigate further the rate impact on its Class A members and their retail
18 members of the redesigned rates, AEPCO has agreed to write off all of the approximately \$1.998
19 million in fixed gas costs which it incurred from January 1 to July 1, 2011. Accordingly, this
20 Amended Request asks that the Commission authorize the Cooperative not to recover through
21 the PPFAC that \$1.998 million in costs instead of the \$1.43 million amount which was requested
22 in the Application.

6. For convenience, attached as Exhibit B is a summary of the revised rates which AEPCO requests the Commission authorize to move recovery of the fixed gas costs from the Class A members' energy rates to their Fixed Monthly Charges.¹ Its Line 40 shows that the rates are designed only to allow AEPCO to recover its test year fixed and other costs. The revised rates do not result in an increase in the Cooperative's approved test year revenue requirement.

7. Finally, attached as Exhibit C are Proposed Findings of Fact which are offered for the Commission's consideration in fashioning the relief requested in the Application as amended and supplemented by this Request.

8. AEPCO has asked that each of its member distribution cooperatives file letters with the Commission indicating their support for the relief requested, as well as their agreement with the Proposed Findings of Fact.

CONCLUSION

AEPCO requests that the Commission reopen the Rate Decision for the limited purposes described herein and grant the following relief:

1. Authorizing AEPCO to file a revised CARM Tariff and PRM Schedule including (a) the revised PPFAC Adjustors and Bases for each cooperative as stated in Exhibit A, (b) the revised energy rates and Fixed Monthly Charges stated in Exhibit B and (c) authorization to recover or refund any increase or decrease in the test year fixed gas costs' amount through the PPFAC on a member ACP basis;

2. As of the effective date of the revised CARM Tariff and PRM Schedule, authorizing AEPCO to collect a surcharge over 12 months to recover any further

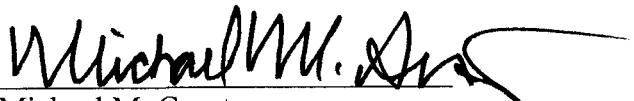
¹ This is the same Exhibit which was Exhibit B to the October 20, 2011 Application.

1 under-collection of fixed gas costs through the PPFAC which occurs from July 1, 2011 to their
2 effective date; and

3 3. Authorizing AEPCO not to recover the approximately \$1.998 million in fixed gas
4 costs incurred by it from January 1 to July 1, 2011 through the PPFAC.

5 RESPECTFULLY SUBMITTED this 10th day of November, 2011.

6 GALLAGHER & KENNEDY, P.A.

7
8 By 

9 Michael M. Grant
10 Jennifer A. Cranston
11 2575 East Camelback Road
12 Phoenix, Arizona 85016-9225
13 Attorneys for Arizona Electric Power
14 Cooperative, Inc.

12 **Original and 13 copies** filed this
13 10th day of November, 2011, with:

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

16 **Copies** of the foregoing delivered
17 this 10th day of November, 2011, to:

18 Commissioner Gary Pierce, Chairman
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

20 Commissioner Bob Stump
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007
24

1 Commissioner Sandra D. Kennedy
Arizona Corporation Commission
2 1200 West Washington Street
Phoenix, Arizona 85007
3
4 Commissioner Paul Newman
Arizona Corporation Commission
1200 West Washington Street
5 Phoenix, Arizona 85007
6
7 Commissioner Brenda Burns
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
8
9 Maureen Scott
Legal Division
Arizona Corporation Commission
10 1200 West Washington Street
Phoenix, Arizona 85007
11
12 Janet Wagner
Legal Division
Arizona Corporation Commission
13 1200 West Washington Street
Phoenix, Arizona 85007
14
15 Terri Ford
Utilities Division
Arizona Corporation Commission
16 1200 West Washington Street
Phoenix, Arizona 85007
17
18 Bentley Erdwurm
Utilities Division
Arizona Corporation Commission
19 1200 West Washington Street
Phoenix, Arizona 85007
20
21 Barbara Keene
Utilities Division
Arizona Corporation Commission
22 1200 West Washington Street
Phoenix, Arizona 85007
23
24

1 **Copies** of the foregoing mailed and emailed
this 10th day of November, 2011, to:

2 Jane L. Rodda
3 Administrative Law Judge
4 Arizona Corporation Commission
5 Hearing Division
400 West Congress
Tucson, Arizona 85701-1347

6 **Copies** of the foregoing mailed and/or
e-mailed this 10th day of November, 2011, to:

7 Michael A. Curtis
8 William P. Sullivan
Larry K. Udall
9 Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.
501 East Thomas Road
10 Phoenix, Arizona 85012-3205
Attorneys for MEC

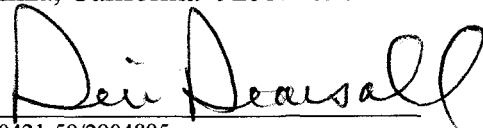
11 Michael W. Patten
12 Timothy J. Sabo
Roshka DeWulf & Patten, PLC
13 400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004-2262
14 Attorneys for Trico

15 Christopher Hitchcock
Law Offices of Christopher Hitchcock, P.L.C.
16 P.O. Box AT
Bisbee, Arizona 85603-0115
17 Attorneys for SSVEC

18 Steve Lines
Graham County Electric Cooperative, Inc.
19 P.O. Drawer B
Pima, Arizona 85543

20 Mike Pearce
21 Duncan Valley Electric Cooperative, Inc.
P.O. Box 440
22 222 North Highway 75
Duncan, Arizona 85534

1 Gloria Britton
2 Anza Electric Cooperative
3 P.O. Box 391909
4 Anza, California 92539-1909

5 
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

10421-59/2904895

EXHIBIT A

Arizona Electric Power Cooperative, Inc.
Summary of Amended 40-252 Proposed PPFAC Adjustor Rates
Six Months Ended June 30, 2011

Line No.	Description	Col. 1	Col. 2	Col. 3	Col. 4
		CARM Rate Tariffs	MEC Rate Tariffs	SSVEC Rate Tariffs	TEC Rate Tariffs
1	40-252 Proposed PPFAC Adjustor Rate Tariffs and Bases:				
2	Base Resources Power Cost Adjustor Rate - \$/kWh	\$0.00589	\$0.00936	\$0.00683	\$0.00463
3	Other Resources Power Cost Adjustor Rate - \$/kWh	(\$0.06018)	(\$0.04369)	(\$0.04614)	(\$0.07824)
4					
5	Base Resources PPFAC Base	\$0.03513	\$0.03454	\$0.03449	\$0.03431
6	Other Resources PPFAC Base	\$0.07188	\$0.06191	\$0.06449	\$0.08274

EXHIBIT B

Arizona Electric Power Cooperative, Inc.

Comparison of 40-252 Proposed Rates and Current Rates

Test Year Ended March 31, 2009

Line No.	Description	Col. 1 CARM Rate Tariffs	Col. 2 MEC Rate Tariffs	Col. 3 SSVEC Rate Tariffs	Col. 4 TEC Rate Tariffs
1	40-252 Proposed Rate Tariffs:				
2	Total Fixed Charges - \$/Month	\$273,334	\$835,756	\$740,041	\$710,367
3	Total O&M Charges - \$/Month	\$414,019	\$1,274,882	\$1,128,876	\$764,465
4	Base Resources Energy Charge - \$/kWh	\$0.03132	\$0.03191	\$0.03205	\$0.03214
5	Other Resources Energy Charge - \$/kWh	\$0.05300	\$0.05852	\$0.05742	\$0.05747
6					
7	Base Resources PPFAC Base	\$0.03513	\$0.03454	\$0.03449	\$0.03431
8	Other Resources PPFAC Base	\$0.07188	\$0.06191	\$0.06449	\$0.08274
9					
10	Decision No. 72055 Authorized Rates:				
11	Total Fixed Charges - \$/Month	\$238,793	\$727,283	\$643,991	\$646,435
12	Total O&M Charges - \$/Month	\$414,019	\$1,274,882	\$1,128,876	\$764,465
13	Base Resources Energy Charge - \$/kWh	\$0.03156	\$0.03215	\$0.03229	\$0.03238
14	Other Resources Energy Charge - \$/kWh	\$0.06170	\$0.06879	\$0.06676	\$0.06604
15					
16	Base Resources PPFAC Base	\$0.03361	\$0.03330	\$0.03337	\$0.03336
17	Other Resources PPFAC Base	\$0.07941	\$0.06971	\$0.07241	\$0.09084
18					
19	Difference from Decision No. 72055 Rates:				
20	Total Fixed Charges - \$/Month	\$34,542	\$108,473	\$96,050	\$63,932
21	Total O&M Charges - \$/Month	\$0	\$0	\$0	\$0
22	Base Resources Energy Charge - \$/kWh	(\$0.00024)	(\$0.00024)	(\$0.00024)	(\$0.00024)
23	Other Resources Energy Charge - \$/kWh	(\$0.00870)	(\$0.01026)	(\$0.00934)	(\$0.00857)
24					
25	Base Resources PPFAC Base	\$0.00152	\$0.00125	\$0.00112	\$0.00095
26	Other Resources PPFAC Base	(\$0.00753)	(\$0.00780)	(\$0.00793)	(\$0.00810)
27					
28					
29	Revenues Generated by 40-252 Proposed Rates and Decision No. 72055 Authorized Rates				
30	Test Year Ended March 31, 2009				
31		40-252	Decision 72055		
32	Description	Proposed Rates	Rates	Difference	
33	Test Year Revenues Generated:				
34	Anza	\$3,314,354	\$3,260,032	\$54,322	
35	Duncan	1,891,392	1,858,063	33,328	
36	Graham	10,634,566	10,446,493	188,073	
37	Mohave	55,673,264	55,489,632	183,632	
38	Sulphur Springs	52,330,518	52,370,038	(39,520)	
39	Trico	41,602,227	42,022,063	(419,835)	
40	Total	\$165,446,321	\$165,446,321	\$0	

EXHIBIT C

Proposed Findings of Fact

1. On January 6, 2011, the Commission entered its Decision No. 72055 (the "Rate Case Decision") which approved new rates and a purchased power and fuel adjustment clause ("PPFAC") for the Arizona Electric Power Cooperative, Inc. ("AEPCO").

2. AEPCO is a non-profit, electric generation cooperative which provides some or all of the power needs of its three partial-requirements ("PRMs") and three all-requirements ("CARMs") Class A member, non-profit electric distribution cooperatives. The distribution cooperatives, in turn, provide electricity to their retail customer/members.

3. On October 20, 2011, AEPCO filed an Application requesting that the Commission, pursuant to A.R.S. § 40-252, re-open the Rate Case Decision for the limited purpose of authorizing amendments to address rate design and cost recovery issues which had surfaced in relation to fixed gas cost recovery (the "Application"). On November 10, 2011, AEPCO filed an Amended and Supplemental Request modifying the relief requested in that Application (the "Request").

4. In relation to its new rates and PPFAC, AEPCO incurred approximately \$3.8 million of fixed gas costs in the test year. AEPCO pays these costs to assure the availability of (a) flame stabilization gas for its coal units as well as (b) gas for fuel for its gas-fired units at the Apache Generation Station, so that those units can generate electricity anytime they are called upon for use by or for AEPCO's partial- or collective all-requirements members.

5. The Rate Case Decision assigned most of these fixed gas costs for cost recovery through AEPCO's Base Resources and Other Resources Energy Rates. The allocation was based upon assumed levels of gas-fired generation use indicated in a billing unit model reflecting usage in the adjusted test year. The Commission also ordered that any increases or decreases in the test year level of the fixed gas costs, which are booked to RUS Accounts 501 and 547, would be recovered from or refunded to AEPCO's members on an energy use basis through PPFAC adjustors developed semi-annually.

6. In preparing its initial semi-annual PPFAC adjustor filing for October 1, 2011 implementation, AEPCO discovered that actual energy use of its gas-fired units was significantly different than what the billing unit model had indicated. Consequently, the allocation method authorized by the Rate Case Decision (a) is producing an inequitable allocation of these costs among AEPCO's members, (b) results in an energy price signal which is artificially disadvantaging AEPCO's Apache Station Units against the rest of the purchased power market, (c) is not allowing the timely recovery of these fixed gas costs which the Commission intended be recovered and (d) if not promptly altered, will weaken AEPCO's financial position due to substantial margin losses as a result of its not recovering significant costs which the Commission intended be recovered on a timely basis.

7. The Commission finds that: (a) the inequitable allocation of these costs, (b) the disadvantage to AEPCO's Apache Station Units against the rest of the market that, among other things, produces diminished third-party sales' margins which otherwise would be available to reduce the cost of service to AEPCO's members and, correspondingly, their retail members,

(c) the failure by AEPCO to recover costs which the Commission intended be recovered on a current and ongoing basis and (d) the resulting substantial margin losses to AEPCO which harms its financial strength are not in and, in fact, are contrary to the public's interest.

8. In order to address and resolve these issues, AEPCO should be authorized to do the following effective as of December 1, 2011:

(a) Implement the revised PPFAC Adjustors and Bases stated in Exhibit A of its Request;

(b) File a revised CARM Tariff and PRM Schedule incorporating the revised energy rates and Fixed Monthly Charges stated in Exhibit B of its Request and providing that recovery or refund of any increase or decrease in the test year fixed gas costs through the PPFAC would be on a member Allocated Capacity Percentage basis;

(c) In order to mitigate the impact on its members and their retail members of the approximately \$1.998 million in fixed gas costs incurred by AEPCO from January 1 to July 1, 2011, AEPCO is authorized not to recover that cost amount through its PPFAC; and

(d) Collect a surcharge over a 12-month period to recover any further under-collection in fixed gas costs which occurs from July 1, 2011 to December 1, 2011.